

AMENDED IN SENATE JUNE 27, 2003

AMENDED IN ASSEMBLY MAY 28, 2003

AMENDED IN ASSEMBLY APRIL 10, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

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**ASSEMBLY BILL**

**No. 1524**

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**Introduced by Assembly Member Richman  
(Coauthor: Assembly Member Cohn)**

February 21, 2003

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An act to amend Sections 12699.50, 12699.51, 12699.52, 12699.53, 12699.54, 12699.56, 12699.61, and 12699.62 of, and to amend the heading of Part 6.4 (commencing with Section 12699.50) of Division 2 of, the Insurance Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 1524, as amended, Richman. County Health Initiative Matching Fund.

Existing law authorizes the Children's Health Initiative Matching Fund, which is administered by the Managed Risk Medical Insurance Board in collaboration with the State Department of Health Services, to provide matching state funds and local funds received by the fund through intergovernmental transfers to a county agency, a local initiative, or a county organized health system for health insurance coverage to certain children in low-income households who do not qualify for health care benefits through the Healthy Families Program or Medi-Cal. Existing law authorizes the implementation of this fund if, among other things, federal funds are appropriated for this purpose and federal participation is approved.

This bill would change the name of the fund to the County Health Initiative Matching Fund. The bill would expand the scope of the fund's health insurance coverage to include adults who are parents of eligible children and who meet specified criteria. The bill would only authorize funding for adults in a fiscal year if the funds are not needed for the children's expansion program. The bill would make conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

3 (a) With an estimated 6.3 million persons uninsured, California  
4 has the highest population of uninsured in the nation. California  
5 has taken steps to alleviate this growing problem. In 2001, the  
6 Legislature enacted Assembly Bill 495 (Ch. 648, Stats. 2001)  
7 which allows any county agency, local initiative, or county  
8 organized health system to provide the state's share of the required  
9 match of federal funds from the State Children's Health Insurance  
10 Program (SCHIP) to provide coverage for children whose family  
11 income is from 251 percent and up to 300 percent of the federal  
12 poverty level. This legislation created the opportunity for counties  
13 and county health initiatives to use their resources to provide  
14 health coverage for children that the state could not.

15 (b) In 2002, the State of California received approval from the  
16 federal government to expand the Healthy Families Program to  
17 include parents of eligible children whose family income does not  
18 exceed 200 percent of the federal poverty level. Unfortunately,  
19 California's current fiscal constraints have prevented it from  
20 proceeding with the waiver, leaving the state in a position of being  
21 unable to draw down on available federal dollars that will  
22 ultimately be reallocated to other states. It is the intent of the  
23 Legislature that no state funds shall be spent for the purposes of  
24 this program.

25 (c) In order to utilize California's SCHIP allocation and  
26 prevent the loss of federal dollars, it is both appropriate and  
27 necessary to expand the option of counties and county health  
28 initiatives to use their resources to meet the federal match to cover



1 eligible parents of children enrolled in the Healthy Families  
2 Program. Furthermore, it is critical to provide coverage to the  
3 parents, in addition to the children, to reduce the financial and  
4 health risks families may suffer if some family members are  
5 uninsured. The design of the parental program will allow those  
6 enrolled in the county programs to be part of the statewide program  
7 ultimately implemented by the Managed Risk Medical Insurance  
8 Board pursuant to the approved state parental expansion waiver.  
9 The funding of eligible parents in each fiscal year will only be  
10 provided to the extent that funds are not needed for the children's  
11 expansion program portion of the County Health Initiative  
12 Matching Fund.

13 SEC. 2. The heading of Part 6.4 (commencing with Section  
14 12699.50) of Division 2 of the Insurance Code is amended to read:

15  
16 PART 6.4. COUNTY HEALTH INITIATIVE MATCHING  
17 FUND  
18

19 SEC. 3. Section 12699.50 of the Insurance Code is amended  
20 to read:

21 12699.50. This part shall be known and may be cited as the  
22 County Health Initiative Matching Fund.

23 SEC. 4. Section 12699.51 of the Insurance Code is amended  
24 to read:

25 12699.51. For the purposes of this part, the following  
26 definitions shall apply:

27 (a) "Adult" is a person of 19 years of age and older who is a  
28 parent of an eligible child participating in the Healthy Families  
29 Program and whose income does not exceed 200 percent of the  
30 federal poverty level.

31 (b) "Administrative costs" means those expenses that are not  
32 incurred for the direct provision of health benefits.

33 (c) "Applicant" means a county agency, a local initiative, or a  
34 county organized health system.

35 (d) "Board" means the Managed Risk Medical Insurance  
36 Board.

37 (e) "Child" means a person under 19 years of age.

38 (f) "Comprehensive health insurance coverage" means the  
39 coverage described in Section 12693.60.

(g) “County organized health system” means a health system implemented pursuant to Article 2.8 (commencing with Section 14087.5) of Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code and Article 1 (commencing with Section 101675) of Chapter 3 of Part 4 of Division 101 of the Health and Safety Code.

(h) “Fund” means the County Health Initiative Matching Fund.

(i) “Local initiative” has the same meaning as set forth in Section 12693.08.

SEC. 5. Section 12699.52 of the Insurance Code is amended to read:

12699.52. (a) The County Health Initiative Matching Fund is hereby established within the State Treasury. The fund shall accept intergovernmental transfers as the nonfederal matching fund requirement for federal financial participation through the State Children’s Health Insurance Program (Subchapter 21 (commencing with Section 1397aa) of Chapter 7 of Title 42 of the United States Code).

(b) The board shall administer this fund and the provisions of this part in collaboration with the State Department of Health Services for the express purpose of allowing local funds to be used to facilitate increasing the state’s ability to utilize federal funds available to California. These federal funds shall be used prior to the expiration of their authority for one-time programs designed to improve and expand access for uninsured persons.

SEC. 6. Section 12699.53 of the Insurance Code is amended to read:

12699.53. (a) An applicant that will provide an intergovernmental transfer may submit a proposal to the board for funding for the purpose of providing comprehensive health insurance coverage to any child or adult who meets citizenship and immigration status requirements that are applicable to persons participating in the program established by Title XXI of the Social Security Act, except as specified in Section 12693.76, whose family income does not exceed 300 percent of the federal poverty level in specific geographic areas for purposes of a child, and whose family income does not exceed 200 percent of the federal poverty level in specific geographic areas for purposes of an adult, as published quarterly in the Federal Register by the Department

1 of Health and Human Services, and who does not qualify for either  
 2 the Healthy Families Program (Part 6.2 (commencing with  
 3 Section 12693)) or the Medi-Cal Act (Chapter 7 (commencing  
 4 with Section 14000) of Part 3 of Division 9 of the Welfare and  
 5 Institutions Code). The proposal shall guarantee at least one year  
 6 of intergovernmental transfer funding by the applicant at a level  
 7 that ensures compliance with the requirements of an approved  
 8 federal waiver and shall, on an annual basis, either commit to fully  
 9 funding the necessary intergovernmental amount to meet the  
 10 conditions of the waiver or withdraw from the program. The board  
 11 may identify specific geographical areas that, in comparison to the  
 12 national level, have a higher cost of living or housing or a greater  
 13 need for additional health services, using data obtained from the  
 14 most recent federal decennial census, the federal Consumer  
 15 Expenditure Survey, or from other sources. The proposal may  
 16 include an administrative mechanism for outreach and eligibility.

17 (b) The applicant may include in its proposal reimbursement of  
 18 medical, dental, vision, or mental health services delivered to  
 19 children who are eligible under the State Children's Health  
 20 Insurance Program (Subchapter 21 (commencing with Section  
 21 1397aa) of Chapter 7 of Title 42 of the United States Code), if these  
 22 services are part of an overall program with the measurable goal  
 23 of enrolling served children in the Healthy Families Program.

24 (c) If a child is determined to be eligible for benefits for the  
 25 treatment of an eligible medical condition under the California  
 26 Children's Services Program pursuant to Article 5 (commencing  
 27 with Section 123800) of Chapter 3 of Part 2 of Division 106 of the  
 28 Health and Safety Code, the applicant shall not be responsible for  
 29 the provision of, or payment for, those authorized services for that  
 30 child. The proposal from an applicant shall contain provisions to  
 31 ensure that a child whom the applicant reasonably believes would  
 32 be eligible for services under the California Children's Services  
 33 Program is referred to that program. The California Children's  
 34 Services Program shall provide case management and  
 35 authorization of services if the child is found to be eligible for the  
 36 California Children's Services Program. Diagnosis and treatment  
 37 services that are authorized by the California Children's Services  
 38 Program shall be performed by paneled providers for that program  
 39 and approved special care centers of that program and approved by  
 40 the California Children's Services Program. All other services

1 provided under the proposal from the applicant shall be made  
2 available pursuant to this part to a child who is eligible for services  
3 under the California Children's Services Program.

4 (d) An applicant may submit a proposal for reimbursement of  
5 medical, dental, vision, or mental health services delivered to  
6 adults, as specified in subdivision (a).

7 (e) (1) *If a proposal from an applicant for coverage of an adult*  
8 *includes payment from state funds or funds derived from county*  
9 *sources, in order to encourage subscriber choice in health care*  
10 *coverage, the applicant shall provide a selection process to*  
11 *consider participation by a health care service plan licensed*  
12 *pursuant to the Knox-Keene Health Care Service Plan Act of 1975*  
13 *(Chapter 2.2 (commencing with Section 1340) of Division 2 of the*  
14 *Health and Safety Code) or a disability insurer regulated by the*  
15 *Department of Insurance that contracts with the board to provide*  
16 *services to Healthy Families Program subscribers in the*  
17 *geographic area.*

18 (2) *In administering the selection process required in*  
19 *paragraph (1), the applicant may require a plan or insurer to meet*  
20 *fair and reasonable terms and conditions.*

21 (3) *This subdivision shall not apply in the following*  
22 *circumstances:*

23 (A) *The population to be served by the applicant's proposal is*  
24 *less than 1,000 persons.*

25 (B) *The applicant's proposal is funded solely from a plan that*  
26 *is sponsored by, or affiliated with, a county.*

27 SEC. 7. Section 12699.54 of the Insurance Code is amended  
28 to read:

29 12699.54. (a) The board and the State Department of Health  
30 Services, in consultation with participating entities, including the  
31 Healthy Families Advisory Committee, and other appropriate  
32 parties, shall establish the criteria for evaluating an applicant's  
33 proposal, which shall include, but not be limited to, the following:

34 (1) The extent to which the program described in the proposal  
35 provides comprehensive coverage including health, dental, and  
36 vision benefits.

37 (2) Whether the proposal includes a promotional component to  
38 notify the public of its provision of health insurance to eligible  
39 children.

1 (3) The simplicity of the proposal's procedures for applying to  
2 participate and for determining eligibility for participation in its  
3 program.

4 (4) The extent to which the proposal provides for coordination  
5 and conformity with benefits provided through Medi-Cal and the  
6 Healthy Families Program.

7 (5) The extent to which the proposal provides for coordination  
8 and conformity with existing Healthy Families Program  
9 administrative entities in order to prevent administrative  
10 duplication and fragmentation.

11 (6) The ability of the health care providers designated in the  
12 proposal to serve the eligible population and the extent to which  
13 the proposal includes traditional and safety net providers, as  
14 defined in regulations adopted pursuant to the Healthy Families  
15 Program.

16 (7) For children's coverage, the extent to which the proposal  
17 intends to work with the school districts and county offices of  
18 education.

19 (8) The total amount of funds available to the applicant to  
20 implement the program described in its proposal, and the  
21 percentage of this amount proposed for administrative costs as  
22 well as the cost to the state to administer the proposal.

23 (9) The extent to which the proposal seeks to minimize the  
24 substitution of private employer health insurance coverage for  
25 health benefits provided through a governmental source.

26 (10) The extent to which local resources may be available after  
27 the depletion of federal funds to continue any current program  
28 expansions for persons covered under local health care financing  
29 programs or for expanded benefits.

30 (11) For coverage proposals for adults defined in subdivision  
31 (a) of Section 12699.51, the extent to which the proposal seeks to  
32 pursue assistance from employers in the payment of premiums and  
33 whether the proposal requires, as a condition of parental  
34 enrollment, the enrollment of children in the applicant's plan or a  
35 competing plan.

36 (12) For the purposes of determining eligibility for adults  
37 defined in subdivision (a) of Section 12699.51, the following shall  
38 apply:



1 (A) The same income methodology shall be used for the  
2 proposed program that is currently used for the Medi-Cal program  
3 and the Healthy Families Program.

4 (B) Only participating licensed Healthy Families dental,  
5 health, and vision plans may be used.

6 (b) The board, in collaboration with the State Department of  
7 Health Services, shall adopt regulations, setting forth the criteria  
8 it uses to evaluate an applicant's proposal.

9 SEC. 8. Section 12699.56 of the Insurance Code is amended  
10 to read:

11 12699.56. (a) Upon its approval of a proposal, the board, in  
12 collaboration with the State Department of Health Services, may  
13 provide the applicant reimbursement in an amount equal to the  
14 amount that the applicant will contribute to implement the  
15 program described in its proposal, plus the appropriate and  
16 allowable amount of federal funds under the State Children's  
17 Health Insurance Program (Subchapter 21 (commencing with  
18 Section 1397aa) of Chapter 7 of Title 42 of the United States  
19 Code). Reimbursement provided from the County Health  
20 Initiative Matching Fund shall consist of intergovernmental  
21 transfers from applicants, as defined in subdivision (b) of Section  
22 12699.51, and the appropriate and allowable federal State County  
23 Health Insurance Program funds. Not more than 10 percent of the  
24 County Health Initiative Matching Fund shall be expended for  
25 administrative costs, including the costs to the state to administer  
26 the proposal. The board, in collaboration with the State  
27 Department of Health Services, may audit the expenses incurred  
28 by the applicant in implementing its program to ensure that the  
29 expenditures comply with the provisions of this part. No  
30 reimbursement may be made to an applicant that fails to meet its  
31 financial participation obligation under this part. Reasonable  
32 startup costs and ongoing administrative costs for the program  
33 shall be reimbursed by those entities applying for funding.

34 (b) Each applicant that is provided funds under this part shall  
35 submit to the board a plan to limit initial and continuing enrollment  
36 in its program in the event the amount of moneys for its program  
37 is insufficient to maintain health insurance coverage for those  
38 participating in the program.

39 SEC. 9. Section 12699.61 of the Insurance Code is amended  
40 to read:



12699.61. The Governor, in collaboration with the Managed Risk Medical Insurance Board and the State Department of Health Services, shall apply for a waiver pursuant to the federal State Children's Health Insurance Program (Subchapter 21 (commencing with Section 1397aa) of Chapter 7 of Title 42 of the United States Code) in coordination with the Managed Risk Medical Insurance Board and the State Department of Health Services to allow a county agency, local initiative, or county organized health system to apply for matching funds through the federal State Children's Health Insurance Program (Subchapter 21 (commencing with Section 1397aa) of Chapter 7 of Title 42 of the United States Code) using local funds for the state matching funds. This section shall also apply to the programs and proposals authorized by Assembly Bill 1524 of the 2003–04 Regular Session.

SEC. 10. Section 12699.62 of the Insurance Code is amended to read:

12699.62. (a) The provisions of this part shall be implemented only if all of the following conditions are met:

(1) Federal funds are appropriated for this purpose.

(2) Federal financial participation is approved.

(3) The Managed Risk Medical Insurance Board determines that federal State Children's Health Insurance Program funds will remain available in the relevant fiscal year after providing funds for the following groups:

(A) All current enrollees and eligible children and parents that are likely to enroll in the Healthy Families Program in that fiscal year, as determined by a Department of Finance estimate.

(B) Rollover funds are determined to be available from the State Children's Health Insurance Program. For this purpose, "rollover funds" are those funds that are available on a one-time only basis through the federal State Children's Health Insurance Program (Subchapter 21 (commencing with Section 1397aa) of Chapter 7 of Title 42 of the United States Code) and are not committed for use by those groups described in subparagraph (A).

The funding of adults defined in subdivision (a) of Section 12699.51, in each fiscal year shall only be provided to the extent the funds are not needed for the children's expansion program portion of the County Health Initiative Matching Fund.

1 (b) The State Department of Health Services and the Managed  
2 Risk Medical Insurance Board may accept funding necessary for  
3 the preparation of the federal waiver application described in  
4 Section 12699.61 from a not-for-profit group or foundation.

5 (c) The submission and approval of federal waivers for State  
6 Children's Health Insurance Program funds that use state General  
7 Fund moneys for the addition of children or parents shall take  
8 precedence over the submittal of the waiver required by Section  
9 12699.61.

